

Message Text

CONFIDENTIAL

PAGE 01 HONG K 12016 051013Z

47

ACTION EA-10

INFO OCT-01 ISO-00 TRSE-00 FRB-01 SP-02 AID-05 EB-04

NSC-05 RSC-01 CIEP-01 SS-15 STR-01 OMB-01 CEA-01

CIAE-00 COME-00 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 L-01 H-01 PA-01 PRS-01 USIA-06 /070 W

----- 116524

R 050722Z NOV 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 2757

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

C O N F I D E N T I A L HONG KONG 12016

PASS TREASURY AND FEDERAL RESERVE BANK

E.O. 11652: GDS

TAGS: EFIN, CH, HG

SUBJECT: BANK OF CHINA RAISES ITS RMB DEPOSIT INTEREST RATES

REF: A) HK 7948 B) HK 10498

1. A RECENT INCREASE IN INTEREST RATES PAID BY COMMUNIST BANKS IN HONG KONG IS PROBABLY RELATED TO THE PRC BALANCE-OF-PAYMENTS SITUATION.

2. THE BANK OF CHINA ANNOUNCED ON NOVEMBER 1 AN INCREASE IN THE INTEREST RATES PAID ON DEPOSITS DENOMINATED IN RMB. THE TABLE BELOW INDICATES THE NEW AND OLD RATES AND A COMPARISON WITH RATES PAID BY OTHER HONG KONG BANKS FOR DEPOSITS DENOMINATED IN HONG KONG DOLLARS. IN ORDER TO MAKE AN ACCURATE COMPARISON, THE OTHER RATES ARE NET OF INTEREST TAX FOR WHICH RMB DEPOSIT INTEREST IS NOT LIABLE.

7 DAYS CALL 1 MO. 3 MO. 6 MO. 12 MO. 2 YR. 3 YR.

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BOC RMB PRE-

NOV. 1 -- -- -- 4.5 5.75 6.25 6.75

BOC RMB POST

NOV. 1 -- -- -- 7.0 8.00 8.25 8.50

\$HK DEPOSITS 7.65 8.1 8.3 8.3 8.3 NEGOTIATED

2. THE TIMING OF THIS MOVE IS INTERESTING. RMB DEPOSIT RATES WERE NOT RAISED IN JULY WHEN RISING EURODOLLAR RATES FORCED THE OTHER HONG KONG BANKS TO RAISE THEIR DEPOSIT RATE STRUCTURE 1.25 PERCENT (SEE REF. A) NOW WORLD INTEREST RATES ARE DECLINING AND, ONLY TWO DAYS BEFORE (ON OCTOBER 30), THE HONG KONG BANKERS ASSOCIATION LOWERED ITS INTEREST RATE CEILINGS 0.5 PERCENT. THERE ARE INDICATIONS THAT THE CHINESE SHARE THE NOW FAIRLY GENERAL EXPECTATION THAT WORLD RATES WILL CONTINUE TO FALL. THEY, THEREFORE, APPEAR TO BE POSITIONING THEMSELVES TO INCREASE THEIR SHARE OF LOCAL DEPOSIT GROWTH AS A LESS EXPENSIVE (FOR THE TIME BEING) AND MORE STABLE METHOD OF FINANCING THEIR BALANCE-OF-PAYMENTS DEFICIT (SEE REF. B).
CROSS

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NNN

Message Attributes

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30 JUN 2005

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